

Message Text

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DRAFTED BY: EB/FTD:MBSMITH:MLB

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS IMMEDIATE

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FOLLOWING SENT SECSTATE AND USDOC WASHDC 23 OCT REPEATED
TO YOU. QUOTE:

LIMITED OFFICIAL USE HONG KONG 10621

DEPT PASS LABOR DEPT FOR BLACKMAN
STATE FOR JURICH AND PHELAN
COMMERCE FOR BODNER

E.O. 11652: N/A

TAGS: ETRD HK US

SUBJECT: TEXTILES: MULTIFIBER LTA--HKG POSITION

1. DORWARD HAS FORWARDED COPY OF HKG SUBMISSION TO GATT
SECRETARIAT, PER VERBAL AGREEMENT WITH JURICH. DESIRES
TO SEE US SUBMISSION AS SOON AS AVAILABLE.

2. TEXT OF SUBMISSION AS FOLLOWS:

THE UNITED KINGDOM DELEGATION, ON BEHALF OF HONG KONG,
WISHES TO OFFER THE FOLLOWING COMMENTS AND SUGGESTIONS
CONCERNING A NEW MULTILATERAL, MULTIFIBRE TEXTILES AGREE-
MENT, IN RESPONSE TO YOUR APPEAL TO THE TEXTILES NEGOTIA-
TING GROUP ON 12 OCTOBER 1973. IN ACCORDANCE WITH THE
SUGGESTION MADE AT THAT TIME, THESE ARE OFFERED IN THE
ORDER IN WHICH THE SAME OR COMPARABLE SUBJECT HEADINGS

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APPEAR IN THE COTTON TEXTILES ARRANGEMENT (CTA). THESE

PROPOSALS ARE, FOR THE PRESENT, CONFINED TO THOSE ASPECTS OF THE MATTER THAT SEEM TO MY GOVERNMENT TO BE OF MAJOR IMPORTANCE.

I. TREATMENT OF EXISTING RESTRAINTS AND RESTRICTIONS (CORRESPONDING TO CTA ARTICLE 2).

2. IT IS SUGGESTED THAT THE AMBIT OF THIS SECTION SHOULD BE WIDER THAN ARTICLE 2 OF THE CTA AND SHOULD COVER ALL RESTRAINTS AND RESTRICTIONS (UNILATERALLY IMPOSED OR BILATERALLY AGREED, SELECTIVE OR COMPREHENSIVE) IN EXISTENCE AT THE DATE OF COMING INTO FORCE OF THE NEW ARRANGEMENT.

3. IN OUR VIEW IT SHOULD PROVIDE FOR THE TESTING AGAINST THE NEW CRITERIA, WITHIN PRESCRIBED PERIODS, OF ALL EXISTING MEASURES RELATING TO PRODUCTS COVERED BY THE NEW ARRANGEMENT. IN PARTICULAR:

(A) EXISTING UNILATERALLY IMPOSED RESTRICTIONS SHOULD (I) BE REMOVED; OR

(II) BE MODIFIED OR JUSTIFIED IN ACCORDANCE WITH SUCH CRITERIA WITHIN ONE YEAR OF THE ENTERING INTO FORCE OF THE ARRANGEMENT; AND

(B) EXISTING BILATERALLY AGREED RESTRAINTS SHOULD BE RENEGOTIATED WITHIN ONE YEAR WITH THE AGREED INTENTION OF ELIMINATING THEM OR RENDERING THEM CONSONANT WITH THE NEW ARRANGEMENT WITHIN THEIR PRESENT CURRENCY.

II. SAFEGUARD PROCEDURES

(CORRESPONDING TO CTA ARTICLE 3)

4. ANY NEW PROVISION CORRESPONDING TO CTA ARTICLE 3, PARAGRAPH 2, WHICH AUTHORISES EMERGENCY ACTION, SHOULD BE QUALIFIED BY THE REQUIREMENTS THAT:

(A) A STATEMENT IN JUSTIFICATION FOR SUCH ACTION SHOULD BE LODGED WITH THE SURVEILLANCE BODY IMMEDIATELY BEFORE THE ACTION IS TAKEN; AND

(B) THAT STATEMENT SHOULD ALSO BE GIVEN TO THE EXPORTING COUNTRY OR COUNTRIES AFFECTED, WHICH SHOULD, WITHOUT PREJUDICE TO ANY ENSUING CONSULTATIONS, HAVE THE RIGHT TO EXERCISE EXPORT CONTROL UP TO THE LIMITS PRESCRIBED, FOR A PERIOD LIMITED OFFICIAL USE

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OF 60 DAYS OR UNTIL SUCH CONSULTATIONS ARE CONCLUDED, WHICHEVER IS THE SOONER.

5. ANY NEW PARA CORRESPONDING T CTA ARTICLE 3, PARAGRAPH

4, SHOULD PROVIDE FOR CERTAIN MINIMA IN FLEXIBILITY:

(I) A "SWING" OR "TRANSFER" MARGIN OF 10 PER CENT;

(II) WHERE RESTRAINTS ARE FOR MORE THAN ONE YEAR, ANTICIPATION (I.E. CARRY FORWARD) AND CARRYOVER

OF 10 PERCENT.

III. BILATERAL AGREEMENTS

(CORRESPONDING TO CTA ARTICLE 4)

6. ANY SUCH PROVISION SHOULD BE SO CAST AS TO ENSURE THAT SUCH AGREEMENTS RESPECT NOT ONLY THE BASIC OBJECTIVES BUT ALSO THE BASIC PROVISIONS OF THE ARRANGEMENT WITH REGARD TO AT LEAST EVIDENCE OF MARKET DISRUPTION, SURVEILLANCE, GROWTH AND FLEXIBILITY. EXPERIENCE OF THE WORKINGS OF THE LTA SHOWS THAT THE ABSENCE OF SUCH PRECISION LEAVES EXPORTING COUNTRIES VULNERABLE TO PRESSURE TO CONCEDE UNWARRANTED "VOLUNTARY" RESTRAINTS.

IV. SURVEILLANCE

(CORRESPONDING TO CTA ARTICLES 7:3 AND 8(B))

7. THE EEC PROPOSALS IN TEX/NG/W/1 ARE SUPPORTED. SUPPLEMENTARY TO THEM, IT IS SUGGESTED THAT THE SUPERVISORY BODY ENVISAGED SHOULD BE SERVICED BY A SMALL PERMANENT CADRE OF, SAY, SIX EXPERTS WHO WOULD PERFORM FOR IT AN INVESTIGATORY FUNCTION. THE TASK OF THIS CADRE WOULD BE TO ASSEMBLE PROMPTLY FACTUAL DATA, WITHOUT JUDGMENTS OR RECOMMENDATIONS, AND THEREBY FACILITATE THE WORK OF THE SUPERVISORY BODY.

V. MARKET DISRUPTION

(CORRESPONDING TO CTA ARTICLE 10 AND ANNEX C)

8. THE SECOND ALTERNATIVE IN ANNEX II TO L/3885 IS PREFERRED. PARTICULAR IMPORTANCE IS ATTACHED TO THE INCLUSION OF A REFERENCE TO SERIOUS DAMAGE OR ACTUAL THREAT THEREOF TO DOMESTIC MANUFACTURES OF (BEGIN ITALICS) PRODUCTS SERVING THE SAME MARKET DEMAND (END ITALICS). IT SHOULD BE CLEARLY UNDERSTOOD THAT A DECLINE IN PRODUCTION OF A LIMITED OFFICIAL USE

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CATEGORY OF GOODS IS NOT NECESSARILY EVIDENCE OF MARKET DISRUPTION SINCE THAT DECLINE MAY BE DUE TO TECHNOLOGICAL DEVELOPMENTS OR TO CHANGES IN CONSUMER PREFERENCE CAUSING SWITCHES TO LIKE AND DIRECTLY COMPETITIVE PRODUCTS MADE BY THE SAME INDUSTRY.

VI. BASE LEVELS AND GROWTH

(CORRESPONDING TO CTA ANNEX B)

9. THE FORMULA IN PARAGRAPH 1 OF ANNEX B REMAINS ACCEPTABLE; BUT, IN RECOGNITION OF THE INTENT TO MAKE THE NEW ARRANGEMENT A MEANS TO PROGRESSIVE LIBERALIZATION, THE MANDATORY GROWTH RATE, AT A PERCENTAGE TO BE DETERMINED, SHOULD BE APPLICABLE FROM YEAR 2 OF ANY RESTRAINT AGREEMENT. IF HIGHER GROWTH RATES ARE TO BE PROVIDED FOR NEW STARTERS WHO ARE, IN A MANNER CONSISTENT WITH THE BASIC PROVISIONS

OF THE ARRANGEMENT, TO BE SUBJECT TO RESTRAINT, THEN IT
SHOULD BE MADE CLEAR THAT SUCH RATES WILL BE GREATER THAN THE
STANDARD RATE PRESCRIBED; AND THAT ESTABLISHED SUPPLIERS
SHALL RECEIVE NOT LESS THAN THAT STANDARD GROWTH RATE.

10. THESE COMMENTS DO NOT REPRESENT THE TOTALITY OF MY
GOVERNMENT'S VIEWS ON THE CONTENTS OF A NEW ARRANGEMENT,
BUT REPRESENT SOME OF THOSE REGARDED AS MOST ESSENTIAL.
DEAN UNQUOTE. KISSINGER

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